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## Missed opportunities? Germany and the transatlantic labor-productivity gap, 1900-1940

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**Missed Opportunities? Germany and the Transatlantic Labor-Productivity Gap, 1900-1940**

van  
Joost Veenstra

I.

Ever since the first industrial revolution, technological change has been localized and capital biased. Therefore, all growth or level accounting exercises conducted in the field of economic history and economics ought to explicitly account for these dynamics of technological progress.

II.

When countries attempt to catch-up with the global labor-productivity leader by rapidly acquiring capital-intensive technology with a large labor-productivity potential, they cannot expect convergence in the short run as it takes time to learn to operate new technology efficiently.

III.

The interwar period was a time of transition in which German manufacturing moved away from pre-WW1 labor-intensive production and adopted technology increasingly similar to the US, thereby providing the necessary conditions for labor-productivity catch-up in the post-WW2 period.

IV.

Present-day's pessimism with regard to the labor-productivity gains of innovation in information and communications technology (the 'productivity paradox') is, in view of the lagged labor-productivity effect of adopting modern technology, premature and unfounded.

V.

When, in contrast to common practice in economic history, the estimation error in the computation of comparative labor productivity is taken into account by using confidence intervals, many discussions based on the differences between point estimates lose significance.

#### VI.

Germany had surpassed Britain before WW1 in manufacturing labor-productivity levels and ended Britain's long-standing hegemony in Europe even in textiles and iron & steel.

#### VII.

The convergence of GDP per capita levels across European countries during the first era of globalization (1870-1914) was mainly driven by changes in the structure of production and did not result from convergence in manufacturing labor productivity.

#### VIII.

In the late 19<sup>th</sup> century mechanized production yielded sloppy and badly-finished goods. Because Americans disliked physical exertion and cared little for thoroughness, they favored mechanized production. In contrast, such low-quality products proved incompatible to the proverbial 'deutsche Gründlichkeit', which stalled technological progress in Germany.

#### IX.

Further research should focus on the climatic determinants of the transatlantic labor-productivity gap. It has been noted that the air quality in the US stimulates cerebral activity, which possibly endowed the American labor force with an advantage over their European counterpart. (A. Shadwell, *Industrial Efficiency* (1906) p. 20)